

FOURTH QUARTER 2015

Quarterly Financial Review



**NORFOLK
SOUTHERN**

Finance Department
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Norfolk, Virginia 23510.2191

Norfolk Southern Railway System



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The accompanying unaudited financial information and summary of certain notes to the consolidated financial statements should be read in conjunction with: (a) the consolidated financial statements and notes included in Norfolk Southern Corporation's (NS, we, us and our) latest Annual Report on Form 10-K and in subsequent Quarterly Reports on Form 10-Q, and (b) any Current Reports on Form 8-K.

Any statements contained in this document which are not related to historical facts are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995, and NS undertakes no obligation to update such statements. Such forward-looking statements are subject to risks and uncertainties (the most significant of which are described in our SEC filings) which could cause actual results to differ materially.

Consolidated Statements of Income

Fourth Quarter
(in millions, except per share amounts)

| | 2015 | 2014 |
|---|---------------|---------------|
| Railway operating revenues | | |
| Coal | \$ 433 | \$ 543 |
| General merchandise | 1,522 | 1,678 |
| Intermodal | 563 | 649 |
| Total railway operating revenues | 2,518 | 2,870 |
| Railway operating expenses | | |
| Compensation and benefits | 702 | 714 |
| Purchased services and rents | 440 | 452 |
| Fuel | 194 | 347 |
| Depreciation | 287 | 240 |
| Materials and other | 253 | 226 |
| Total railway operating expenses (note 1) | 1,876 | 1,979 |
| Income from railway operations | 642 | 891 |
| Other income — net | 24 | 28 |
| Interest expense on debt | 142 | 129 |
| Income before income taxes | 524 | 790 |
| Provision for income taxes | | |
| Current | (101) | 6 |
| Deferred | 264 | 273 |
| Total income taxes | 163 | 279 |
| Net income | \$ 361 | \$ 511 |
| Earnings per share (note 1) | | |
| Basic | \$ 1.21 | \$ 1.65 |
| Diluted | 1.20 | 1.64 |
| Weighted average shares outstanding (note 2) | | |
| Basic | 297.9 | 309.0 |
| Diluted | 300.4 | 312.0 |

Notes

1. Restructuring Costs

Fourth quarter 2015 results include \$49 million of costs associated with the restructuring of our Triple Crown Services subsidiary and the closure of our Roanoke, Virginia, office, which reduced net income by \$31 million, or \$0.10 per diluted share. For 2015, results include \$93 million of such costs, which reduced net income by \$58 million, or \$0.19 per diluted share.

2. Stock Repurchase Program

We repurchased 11.3 million and 3.1 million shares of common stock in 2015 and 2014, respectively, at a cost of \$1.1 billion and \$318 million, respectively. We have remaining authorization from our Board of Directors to repurchase up to 23.9 million shares through December 31, 2017. The timing and volume of purchases is guided by our assessment of market conditions and other pertinent factors. Any near-term share repurchases are expected to be made with internally generated cash, cash on hand, or proceeds from borrowings. Since the beginning of 2006, we have repurchased and retired 151.1 million shares at a total cost of \$9.5 billion.

Consolidated Statements of Income

Years Ended December 31,
(in millions, except per share amounts)

| | 2015 | 2014 |
|---|-----------------|-----------------|
| Railway operating revenues | | |
| Coal | \$ 1,823 | \$ 2,382 |
| General merchandise | 6,279 | 6,680 |
| Intermodal | 2,409 | 2,562 |
| Total railway operating revenues | <u>10,511</u> | <u>11,624</u> |
| Railway operating expenses | | |
| Compensation and benefits | 2,911 | 2,897 |
| Purchased services and rents | 1,752 | 1,687 |
| Fuel | 934 | 1,574 |
| Depreciation | 1,054 | 951 |
| Materials and other | 976 | 940 |
| Total railway operating expenses (note 1) | <u>7,627</u> | <u>8,049</u> |
| Income from railway operations | 2,884 | 3,575 |
| Other income — net | 103 | 104 |
| Interest expense on debt | 545 | 545 |
| Income before income taxes | 2,442 | 3,134 |
| Provision for income taxes | | |
| Current | 566 | 840 |
| Deferred | 320 | 294 |
| Total income taxes | <u>886</u> | <u>1,134</u> |
| Net income | <u>\$ 1,556</u> | <u>\$ 2,000</u> |
| Earnings per share (note 1) | | |
| Basic | \$ 5.13 | \$ 6.44 |
| Diluted | 5.10 | 6.39 |
| Weighted average shares outstanding (note 2) | | |
| Basic | 301.9 | 309.4 |
| Diluted | 304.4 | 312.5 |

Consolidated Balance Sheets

As of December 31,
(\$ in millions)

| | 2015 | 2014 | Notes |
|--|------------------|------------------|-------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 1,101 | \$ 973 | |
| Accounts receivable — net | 946 | 1,055 | |
| Materials and supplies | 271 | 236 | |
| Deferred income taxes | 121 | 167 | |
| Other current assets | 194 | 347 | |
| Total current assets | 2,633 | 2,778 | |
| Investments | 2,572 | 2,679 | |
| Properties less accumulated depreciation of \$11,478 and \$10,814, respectively | 28,992 | 27,694 | |
| Other assets (note 3) | 63 | 49 | |
| Total assets | \$ 34,260 | \$ 33,200 | |
| Liabilities and stockholders' equity | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 1,091 | \$ 1,233 | |
| Short-term debt | 200 | 100 | |
| Income and other taxes | 203 | 217 | |
| Other current liabilities | 237 | 228 | |
| Current maturities of long-term debt | 500 | 2 | |
| Total current liabilities | 2,231 | 1,780 | |
| Long-term debt (note 3) | 9,393 | 8,883 | |
| Other liabilities | 1,385 | 1,312 | |
| Deferred income taxes | 9,063 | 8,817 | |
| Total liabilities | 22,072 | 20,792 | |
| Stockholders' equity: | | | |
| Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 297,795,016 and 308,240,130 shares, respectively, net of treasury shares | 299 | 310 | |
| Additional paid-in capital | 2,143 | 2,148 | |
| Accumulated other comprehensive loss | (445) | (398) | |
| Retained income | 10,191 | 10,348 | |
| Total stockholders' equity | 12,188 | 12,408 | |
| Total liabilities and stockholders' equity | \$ 34,260 | \$ 33,200 | |

3. New Accounting Pronouncement

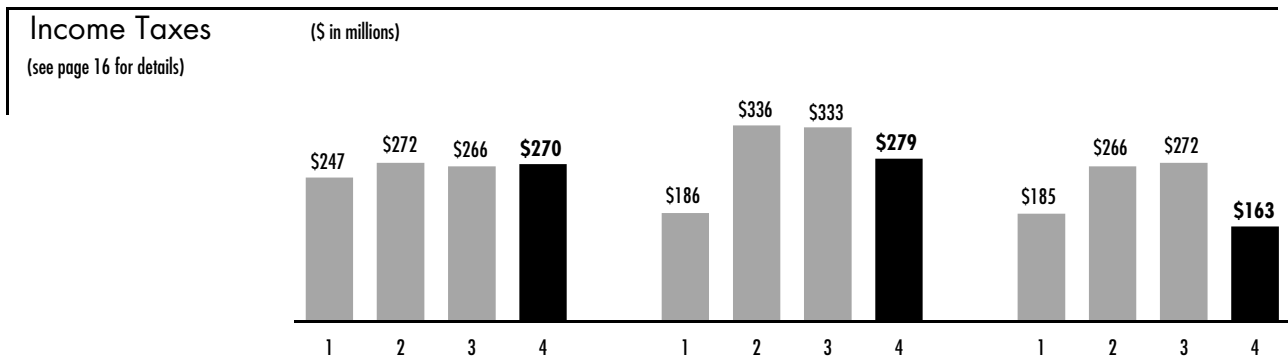
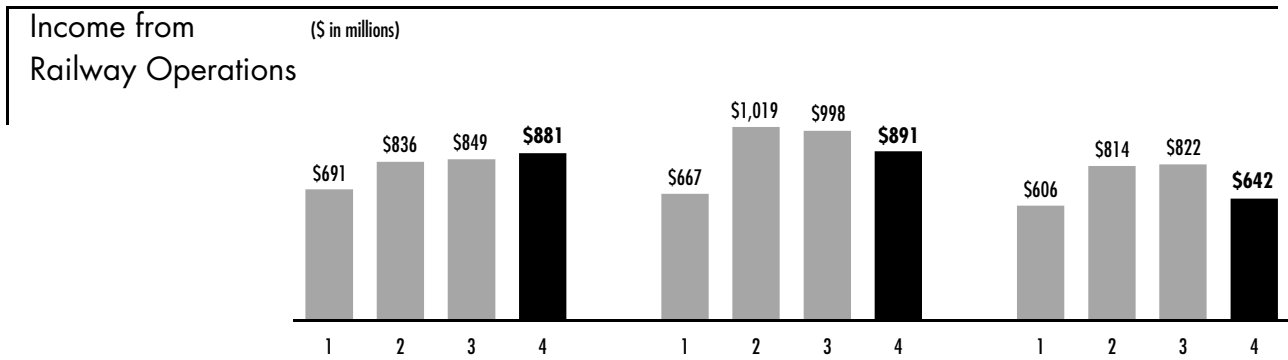
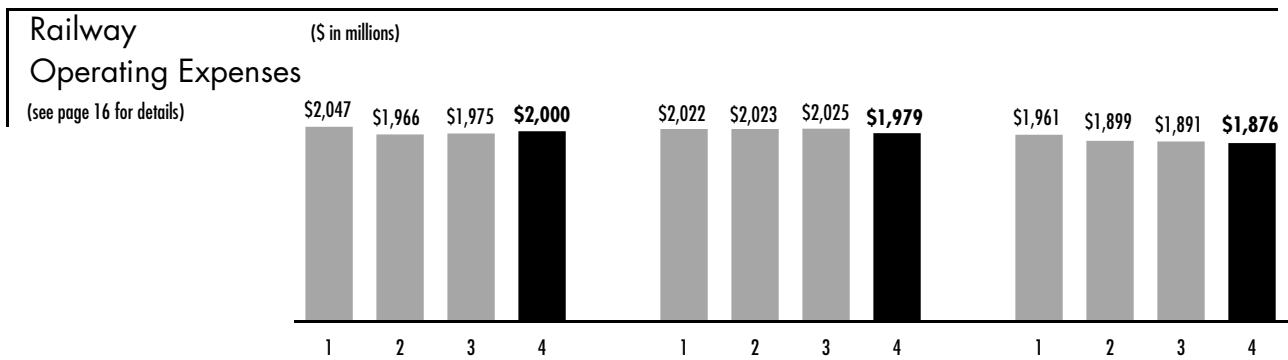
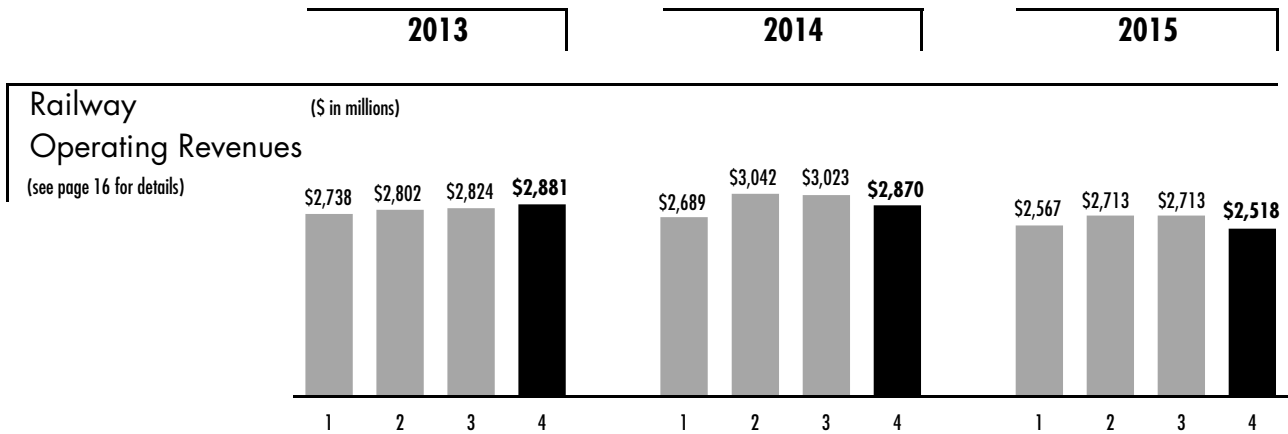
In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." This update requires that debt issuance costs be presented in the balance sheet as a reduction from the related debt liability rather than as an asset, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. We early adopted the provisions of this ASU during the second quarter of 2015 and applied it retrospectively. The adoption of ASU 2015-03 resulted in the presentation of \$47 million of debt issuance costs as a reduction of "Long-term debt" at December 31, 2015. We retrospectively adjusted the December 31, 2014 consolidated balance sheet and related disclosures to reflect the reclassification of \$41 million of debt issuance costs from "Other assets" to "Long-term debt." There was no other impact on our consolidated financial statements from the adoption of ASU 2015-03.

Consolidated Statements of Cash Flows

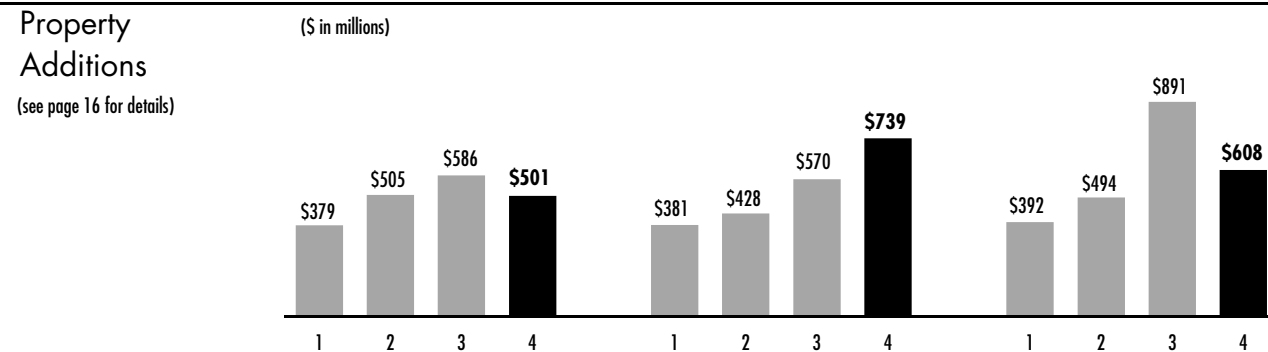
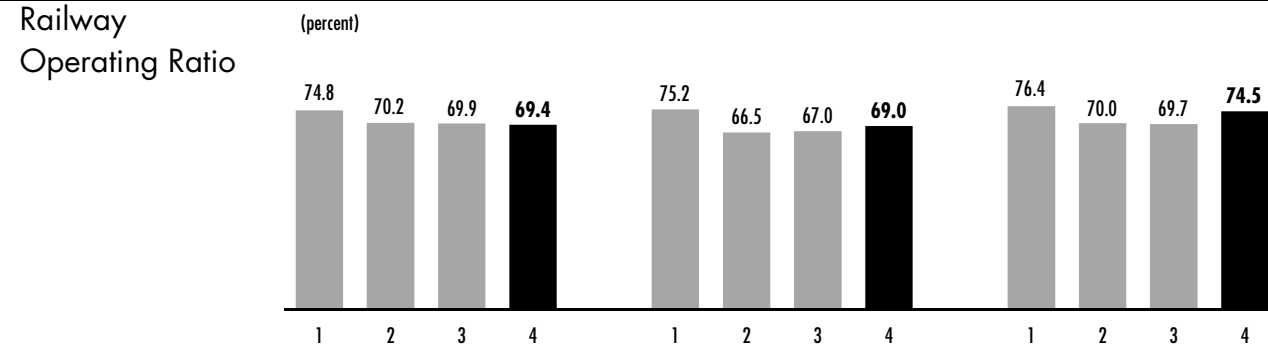
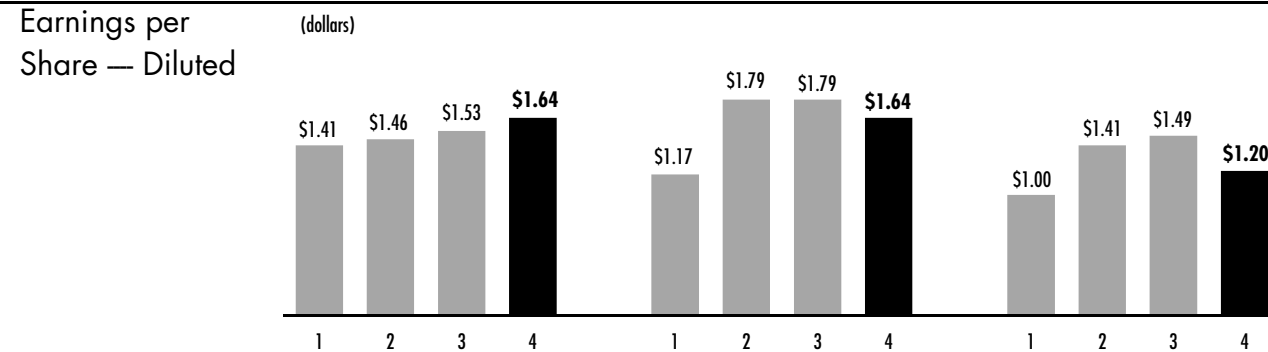
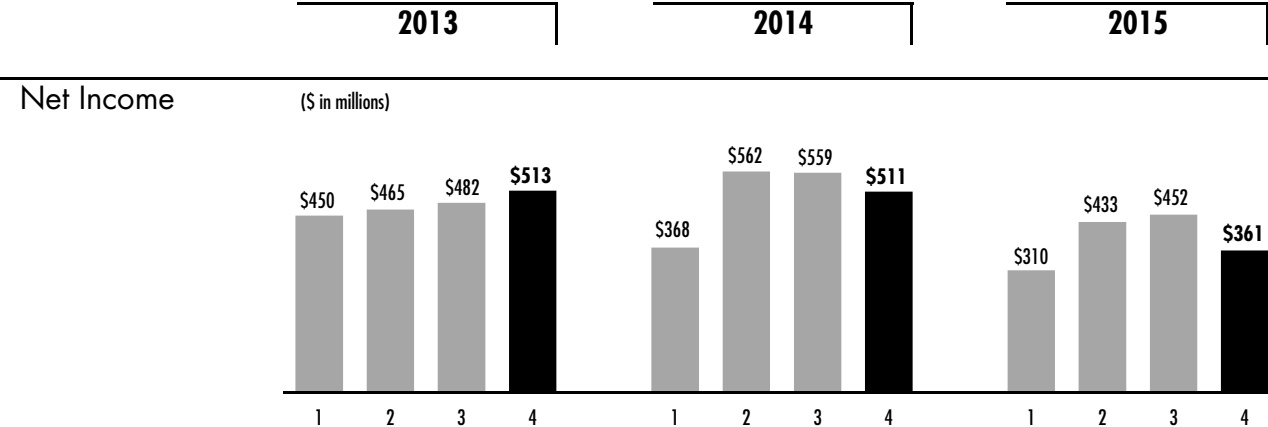
Years Ended December 31,
(S in millions)

| | 2015 | 2014 |
|---|----------|----------|
| Cash flows from operating activities | | |
| Net income | \$ 1,556 | \$ 2,000 |
| Reconciliation of net income to net cash provided by operating activities: | | |
| Depreciation | 1,059 | 956 |
| Deferred income taxes | 320 | 294 |
| Gains and losses on properties and investments | (30) | (13) |
| Changes in assets and liabilities affecting operations: | | |
| Accounts receivable | 109 | (31) |
| Materials and supplies | (35) | (13) |
| Other current assets | 192 | (260) |
| Current liabilities other than debt | (183) | 53 |
| Other — net | (111) | (134) |
| Net cash provided by operating activities | 2,877 | 2,852 |
| Cash flows from investing activities | | |
| Property additions | (2,385) | (2,118) |
| Property sales and other transactions | 63 | 114 |
| Investments, including short-term | (5) | (104) |
| Investment sales and other transactions | 240 | 106 |
| Net cash used in investing activities | (2,087) | (2,002) |
| Cash flows from financing activities | | |
| Dividends | (713) | (687) |
| Common stock issued | 43 | 130 |
| Purchase and retirement of common stock (note 2) | (1,075) | (318) |
| Proceeds from borrowings — net | 1,185 | 200 |
| Debt repayments | (102) | (645) |
| Net cash used in financing activities | (662) | (1,320) |
| Net increase (decrease) in cash and cash equivalents | 128 | (470) |
| Cash and cash equivalents | | |
| At beginning of year | 973 | 1,443 |
| At end of year | \$ 1,101 | \$ 973 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the year for: | | |
| Interest (net of amounts capitalized) | \$ 518 | \$ 522 |
| Income taxes (net of refunds) | 386 | 1,102 |

Consolidated Financial Information



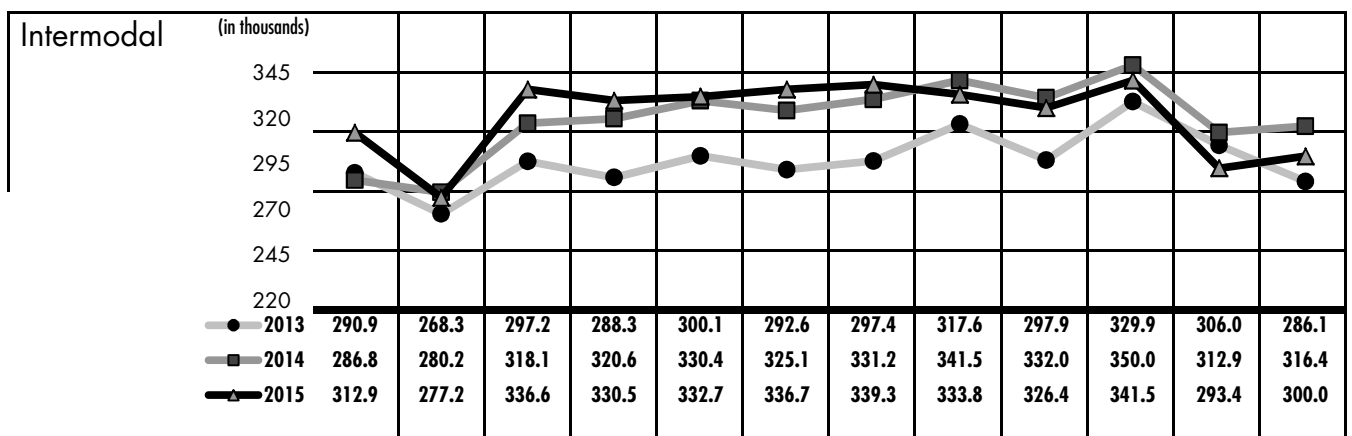
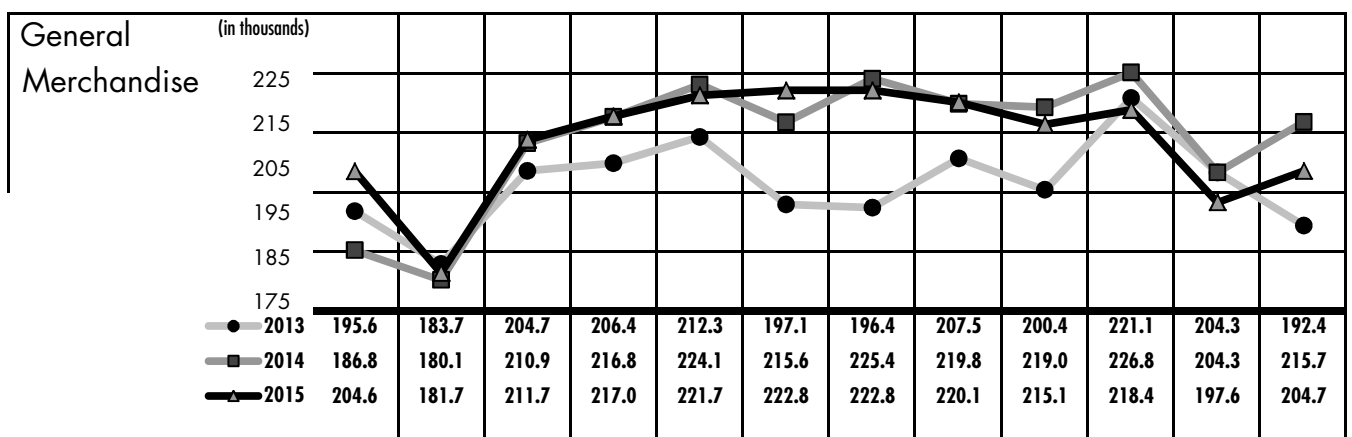
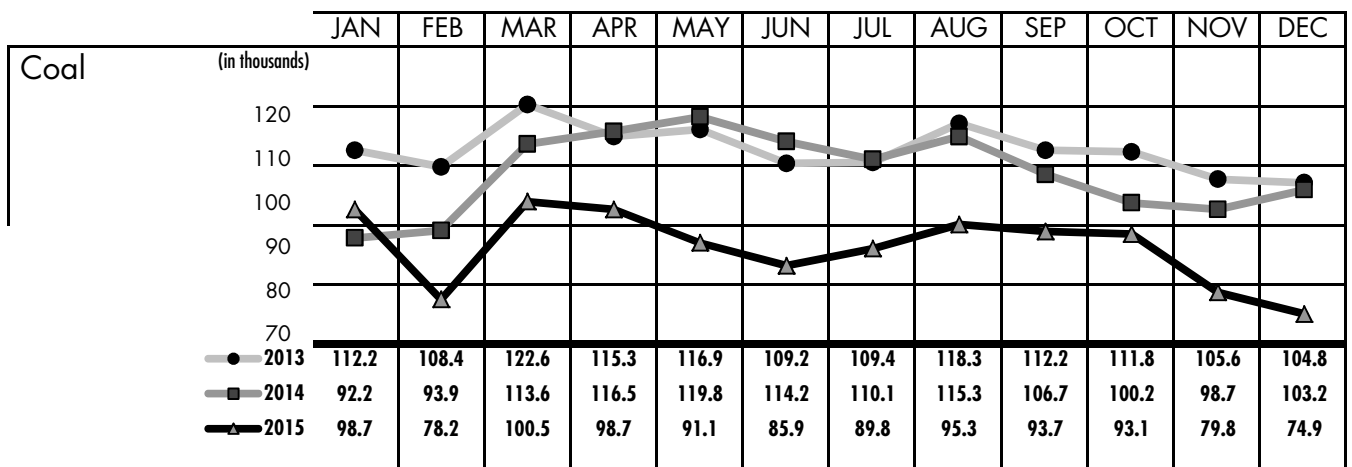
Consolidated Financial Information



Railway Operating Revenues Analysis

| Commodity and Period | Revenues (S in millions) | | | Units (in thousands) | | | Revenue per Unit (S per unit) | | |
|----------------------------|-----------------------------|-----------|-----------|-------------------------|---------|---------|----------------------------------|----------|----------|
| | 2013 | 2014 | 2015 | 2013 | 2014 | 2015 | 2013 | 2014 | 2015 |
| First Quarter | | | | | | | | | |
| Coal | \$ 635 | \$ 541 | \$ 455 | 343.2 | 299.7 | 277.4 | \$ 1,850 | \$ 1,805 | \$ 1,642 |
| Chemicals | 394 | 443 | 432 | 106.0 | 116.1 | 127.3 | 3,719 | 3,820 | 3,390 |
| Metals and construction | 336 | 331 | 310 | 154.8 | 149.9 | 152.5 | 2,172 | 2,207 | 2,031 |
| Agriculture/consumer/gov't | 361 | 361 | 374 | 147.9 | 147.1 | 150.0 | 2,441 | 2,457 | 2,495 |
| Automotive | 244 | 227 | 219 | 98.7 | 92.3 | 95.7 | 2,467 | 2,455 | 2,291 |
| Paper/clay/forest | 195 | 190 | 185 | 76.6 | 72.4 | 72.5 | 2,539 | 2,620 | 2,552 |
| General merchandise | 1,530 | 1,552 | 1,520 | 584.0 | 577.8 | 598.0 | 2,619 | 2,686 | 2,541 |
| Intermodal | 573 | 596 | 592 | 856.4 | 885.1 | 926.7 | 669 | 673 | 639 |
| Total | \$ 2,738 | \$ 2,689 | \$ 2,567 | 1,783.6 | 1,762.6 | 1,802.1 | 1,535 | 1,525 | 1,425 |
| Second Quarter | | | | | | | | | |
| Coal | \$ 626 | \$ 672 | \$ 453 | 341.4 | 350.5 | 275.7 | \$ 1,833 | \$ 1,916 | \$ 1,644 |
| Chemicals | 415 | 455 | 454 | 114.0 | 121.8 | 137.3 | 3,642 | 3,730 | 3,312 |
| Metals and construction | 350 | 410 | 344 | 171.1 | 193.6 | 182.1 | 2,045 | 2,118 | 1,889 |
| Agriculture/consumer/gov't | 366 | 386 | 379 | 147.9 | 155.6 | 153.7 | 2,475 | 2,479 | 2,463 |
| Automotive | 261 | 270 | 254 | 106.4 | 109.5 | 111.2 | 2,456 | 2,469 | 2,278 |
| Paper/clay/forest | 196 | 199 | 196 | 76.4 | 76.0 | 77.2 | 2,570 | 2,628 | 2,545 |
| General merchandise | 1,588 | 1,720 | 1,627 | 615.8 | 656.5 | 661.5 | 2,580 | 2,620 | 2,459 |
| Intermodal | 588 | 650 | 633 | 881.0 | 976.1 | 999.9 | 667 | 666 | 633 |
| Total | \$ 2,802 | \$ 3,042 | \$ 2,713 | 1,838.2 | 1,983.1 | 1,937.1 | 1,524 | 1,534 | 1,401 |
| Third Quarter | | | | | | | | | |
| Coal | \$ 641 | \$ 626 | \$ 482 | 339.9 | 332.1 | 278.8 | \$ 1,885 | \$ 1,885 | \$ 1,726 |
| Chemicals | 429 | 488 | 451 | 113.1 | 132.0 | 134.3 | 3,787 | 3,697 | 3,356 |
| Metals and construction | 372 | 414 | 330 | 180.5 | 202.1 | 183.3 | 2,060 | 2,050 | 1,805 |
| Agriculture/consumer/gov't | 346 | 364 | 380 | 138.0 | 146.1 | 152.9 | 2,504 | 2,491 | 2,488 |
| Automotive | 227 | 254 | 246 | 93.3 | 104.6 | 109.7 | 2,441 | 2,429 | 2,246 |
| Paper/clay/forest | 204 | 210 | 203 | 79.4 | 79.4 | 77.8 | 2,575 | 2,636 | 2,595 |
| General merchandise | 1,578 | 1,730 | 1,610 | 604.3 | 664.2 | 658.0 | 2,611 | 2,604 | 2,447 |
| Intermodal | 605 | 667 | 621 | 912.9 | 1,004.7 | 999.5 | 663 | 664 | 622 |
| Total | \$ 2,824 | \$ 3,023 | \$ 2,713 | 1,857.1 | 2,001.0 | 1,936.3 | 1,521 | 1,511 | 1,401 |
| Fourth Quarter | | | | | | | | | |
| Coal | \$ 641 | \$ 543 | \$ 433 | 322.2 | 302.1 | 247.8 | \$ 1,990 | \$ 1,799 | \$ 1,746 |
| Chemicals | 429 | 477 | 423 | 116.1 | 132.7 | 128.7 | 3,699 | 3,596 | 3,283 |
| Metals and construction | 347 | 366 | 279 | 160.5 | 180.0 | 154.5 | 2,160 | 2,033 | 1,804 |
| Agriculture/consumer/gov't | 394 | 387 | 383 | 160.5 | 155.0 | 152.4 | 2,455 | 2,496 | 2,511 |
| Automotive | 252 | 253 | 250 | 103.7 | 103.7 | 112.7 | 2,427 | 2,436 | 2,221 |
| Paper/clay/forest | 200 | 195 | 187 | 77.0 | 75.4 | 72.4 | 2,597 | 2,592 | 2,598 |
| General merchandise | 1,622 | 1,678 | 1,522 | 617.8 | 646.8 | 620.7 | 2,625 | 2,594 | 2,453 |
| Intermodal | 618 | 649 | 563 | 922.0 | 979.3 | 934.9 | 670 | 662 | 602 |
| Total | \$ 2,881 | \$ 2,870 | \$ 2,518 | 1,862.0 | 1,928.2 | 1,803.4 | 1,547 | 1,489 | 1,396 |
| Year | | | | | | | | | |
| Coal | \$ 2,543 | \$ 2,382 | \$ 1,823 | 1,346.7 | 1,284.4 | 1,079.7 | \$ 1,888 | \$ 1,855 | \$ 1,688 |
| Chemicals | 1,667 | 1,863 | 1,760 | 449.2 | 502.6 | 527.6 | 3,711 | 3,707 | 3,335 |
| Metals and construction | 1,405 | 1,521 | 1,263 | 666.9 | 725.6 | 672.4 | 2,106 | 2,096 | 1,879 |
| Agriculture/consumer/gov't | 1,467 | 1,498 | 1,516 | 594.3 | 603.8 | 609.0 | 2,468 | 2,481 | 2,489 |
| Automotive | 984 | 1,004 | 969 | 402.1 | 410.1 | 429.3 | 2,448 | 2,447 | 2,258 |
| Paper/clay/forest | 795 | 794 | 771 | 309.4 | 303.2 | 299.9 | 2,570 | 2,619 | 2,573 |
| General merchandise | 6,318 | 6,680 | 6,279 | 2,421.9 | 2,545.3 | 2,538.2 | 2,609 | 2,624 | 2,474 |
| Intermodal | 2,384 | 2,562 | 2,409 | 3,572.3 | 3,845.2 | 3,861.0 | 667 | 666 | 624 |
| Total | \$ 11,245 | \$ 11,624 | \$ 10,511 | 7,340.9 | 7,674.9 | 7,478.9 | 1,532 | 1,515 | 1,405 |

Monthly Railway Units



Railway Operating Revenues Variance Analysis

(\$ in millions)

Fourth Quarter
2015 vs. 2014

| | Coal | | General Merchandise | | Intermodal | | Total | |
|---------------------------------|-----------------|---------|---------------------|---------|----------------|---------|-----------------|---------|
| | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent |
| Revenue Variance due to: | | | | | | | | |
| Volume | \$ (98) | (18%) | \$ (68) | (4%) | \$ (29) | (5%) | \$ (186) | (6%) |
| Revenue per unit | (12) | (3%) | (88) | (5%) | (57) | (9%) | (166) | (6%) |
| Total | <u>\$ (110)</u> | (20%) | <u>\$ (156)</u> | (9%) | <u>\$ (86)</u> | (13%) | <u>\$ (352)</u> | (12%) |

Year
2015 vs. 2014

| | Coal | | General Merchandise | | Intermodal | | Total | |
|---------------------------------|-----------------|---------|---------------------|---------|-----------------|---------|-------------------|---------|
| | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent |
| Revenue Variance due to: | | | | | | | | |
| Volume | \$ (380) | (16%) | \$ (19) | - | \$ 11 | - | \$ (297) | (3%) |
| Revenue per unit | (179) | (9%) | (382) | (6%) | (164) | (6%) | (816) | (7%) |
| Total | <u>\$ (559)</u> | (23%) | <u>\$ (401)</u> | (6%) | <u>\$ (153)</u> | (6%) | <u>\$ (1,113)</u> | (10%) |

Coal Tonnage by Market

(tons in thousands)

Fourth Quarter

| | 2013 | | 2014 | | 2015 | |
|------------------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|
| | Tons | Change vs. 2012 | Tons | Change vs. 2013 | Tons | Change vs. 2014 |
| Utility | 23,497 | (9%) | 22,255 | (5%) | 18,904 | (15%) |
| Export | 6,320 | (8%) | 4,781 | (24%) | 3,337 | (30%) |
| Domestic metallurgical | 3,898 | (14%) | 4,281 | 10% | 3,468 | (19%) |
| Industrial | 2,119 | 14% | 2,135 | 1% | 2,037 | (5%) |
| Total | <u>35,834</u> | (8%) | <u>33,452</u> | (7%) | <u>27,746</u> | (17%) |

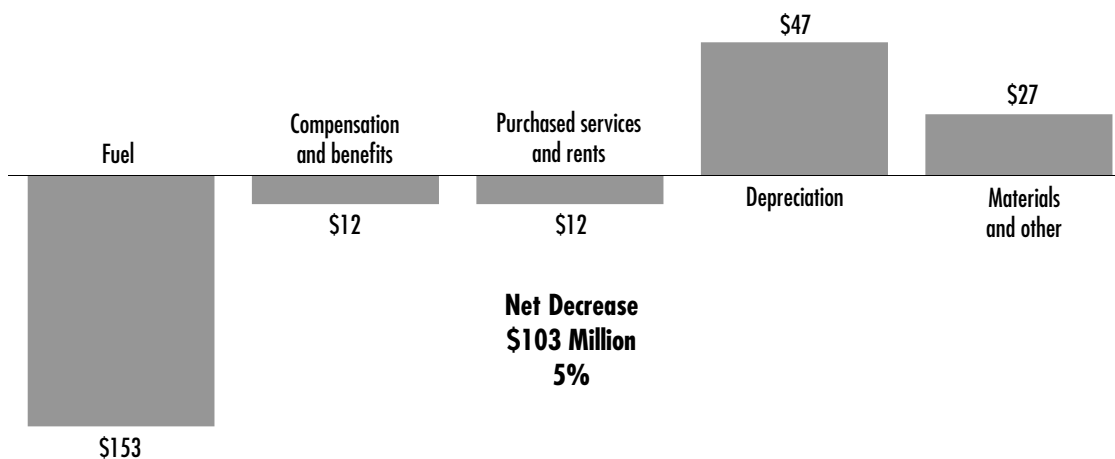
Year

| | 2013 | | 2014 | | 2015 | |
|------------------------|----------------|-----------------|----------------|-----------------|----------------|-----------------|
| | Tons | Change vs. 2012 | Tons | Change vs. 2013 | Tons | Change vs. 2014 |
| Utility | 97,146 | (4%) | 93,884 | (3%) | 81,137 | (14%) |
| Export | 28,631 | 1% | 23,218 | (19%) | 16,193 | (30%) |
| Domestic metallurgical | 16,905 | (10%) | 16,130 | (5%) | 14,450 | (10%) |
| Industrial | 7,388 | - | 8,599 | 16% | 8,201 | (5%) |
| Total | <u>150,070</u> | (4%) | <u>141,831</u> | (5%) | <u>119,981</u> | (15%) |

Railway Operating Expenses Variance Analysis

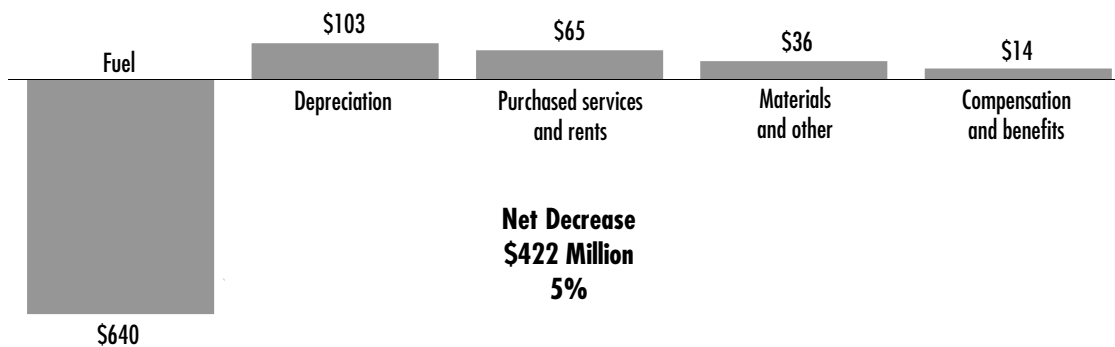
Fourth Quarter
2015 vs. 2014

(\$ in millions)
Amount of change

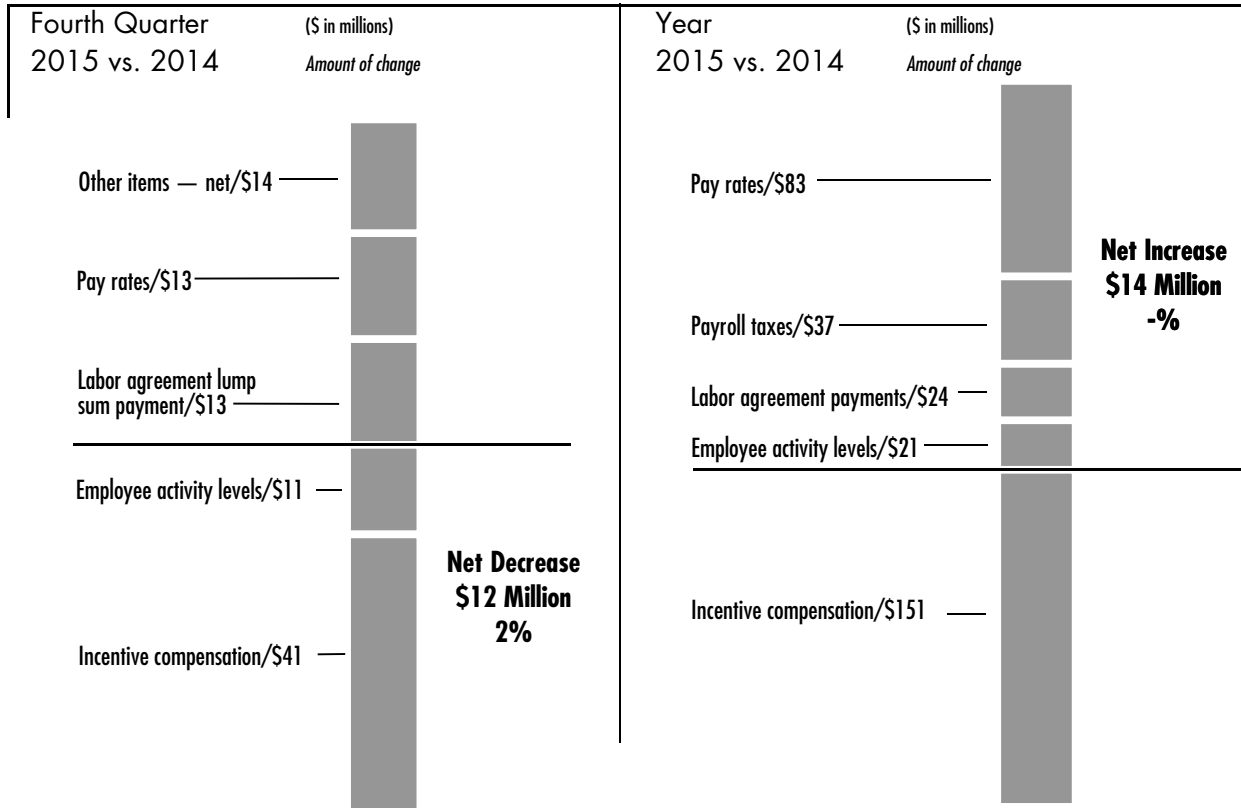


Year
2015 vs. 2014

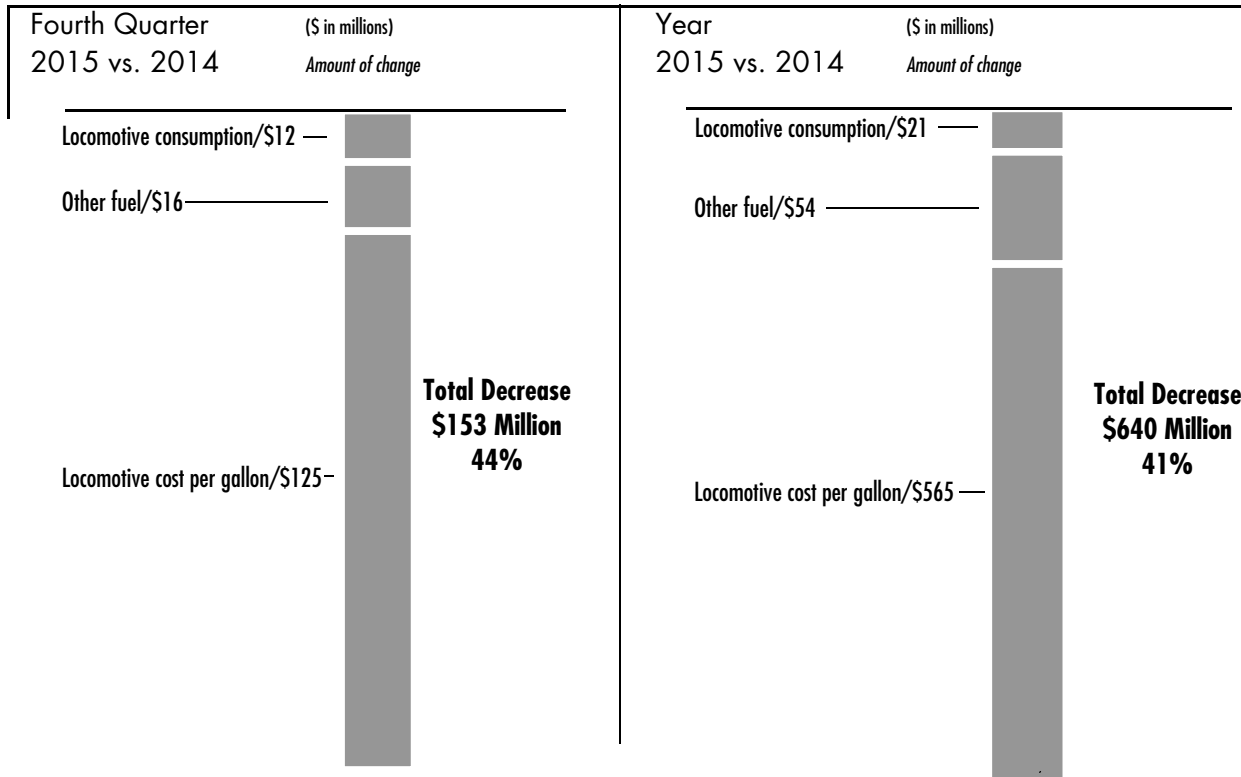
(\$ in millions)
Amount of change



Compensation and Benefits Expense Analysis



Fuel Expense Analysis



Other Income — Net Analysis

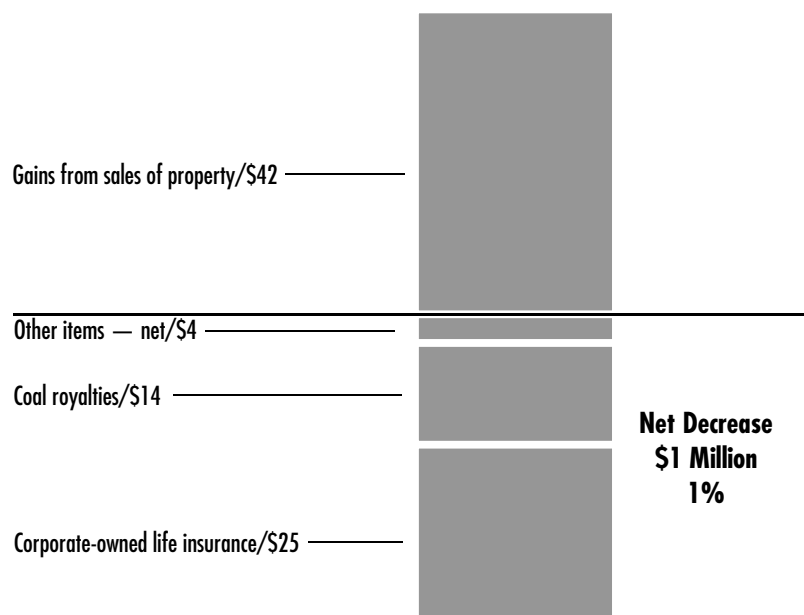
Fourth Quarter
2015 vs. 2014

(\$ in millions)
Amount of change



Year
2015 vs. 2014

(\$ in millions)
Amount of change



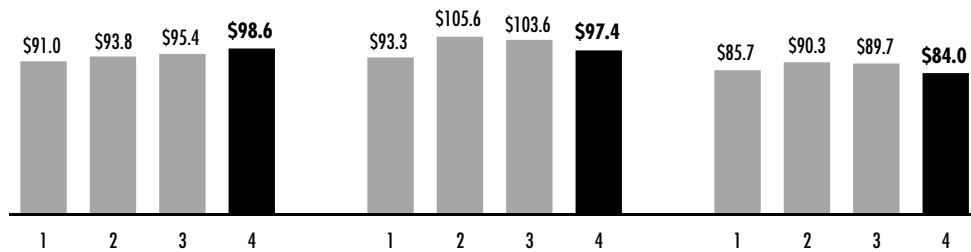
Productivity Measures

2013

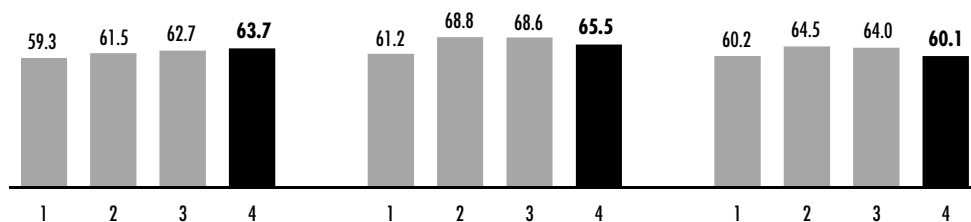
2014

2015

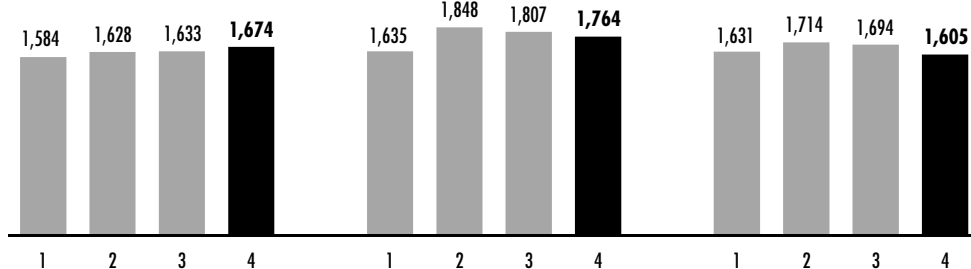
Operating Revenues
per Employee
(\$ in thousands)



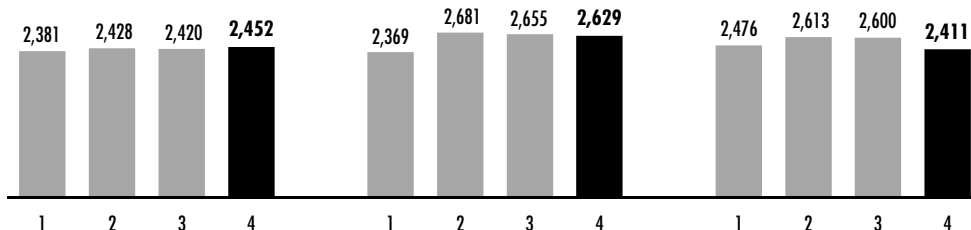
Units per
Employee



Revenue Ton Miles
per Employee
(in thousands)



Revenue Ton Miles
per Mile of Road
Operated
(in thousands)



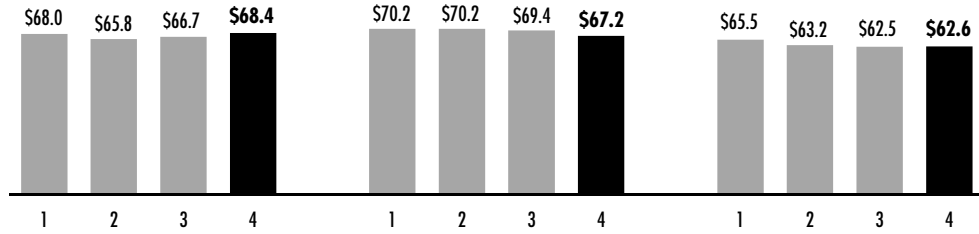
Productivity Measures

2013

2014

2015

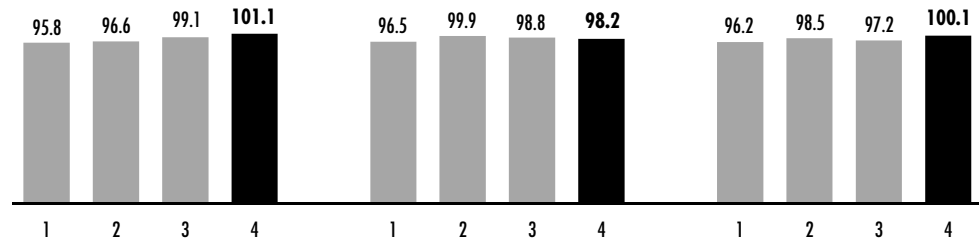
Operating Expenses (in thousands)
per Employee



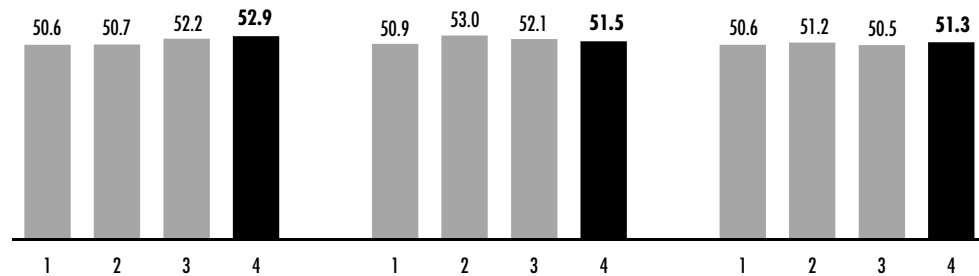
Operating Expenses (dollars)
per Unit



Gross Ton Miles (in thousands)
per Train Hour



Revenue Ton Miles (in thousands)
per Train Hour



Financial, Traffic and Operating Statistics

| Consolidated Financial Data | | 2013 | | | | | 2014 | | | | | 2015 | | | | |
|-----------------------------------|--|---------------|----------------|---------------|----------------|----------|---------------|----------------|---------------|----------------|----------|---------------|----------------|---------------|----------------|-----------|
| (S in millions — except as noted) | | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year |
| 6 | Railway operating revenues: | | | | | | | | | | | | | | | |
| 8 | Coal | \$ 635 | \$ 626 | \$ 641 | \$ 641 | \$ 2,543 | \$ 541 | \$ 672 | \$ 626 | \$ 543 | \$ 2,382 | \$ 455 | \$ 453 | \$ 482 | \$ 433 | \$ 1,823 |
| 8 | General merchandise | 1,530 | 1,588 | 1,578 | 1,622 | 6,318 | 1,552 | 1,720 | 1,730 | 1,678 | 6,680 | 1,520 | 1,627 | 1,610 | 1,522 | 6,279 |
| 8 | Intermodal | 573 | 588 | 605 | 618 | 2,384 | 596 | 650 | 667 | 649 | 2,562 | 592 | 633 | 621 | 563 | 2,409 |
| 6 | Total railway operating revenues | 2,738 | 2,802 | 2,824 | 2,881 | 11,245 | 2,689 | 3,042 | 3,023 | 2,870 | 11,624 | 2,567 | 2,713 | 2,713 | 2,518 | 10,511 |
| 6 | Railway operating expenses: | | | | | | | | | | | | | | | |
| • | Compensation and benefits | 780 | 726 | 735 | 761 | 3,002 | 740 | 715 | 728 | 714 | 2,897 | 783 | 724 | 702 | 702 | 2,911 |
| • | Purchased services | 321 | 343 | 349 | 340 | 1,353 | 324 | 342 | 355 | 373 | 1,394 | 341 | 363 | 370 | 359 | 1,433 |
| • | Equipment rents | 72 | 67 | 71 | 66 | 276 | 68 | 72 | 74 | 79 | 293 | 82 | 75 | 81 | 81 | 319 |
| • | Fuel | 429 | 391 | 390 | 403 | 1,613 | 432 | 408 | 387 | 347 | 1,574 | 264 | 255 | 221 | 194 | 934 |
| • | Depreciation | 227 | 226 | 230 | 233 | 916 | 237 | 238 | 236 | 240 | 951 | 245 | 247 | 275 | 287 | 1,054 |
| • | Materials | 101 | 116 | 100 | 105 | 422 | 108 | 124 | 127 | 111 | 470 | 122 | 117 | 117 | 113 | 469 |
| • | Casualties and other claims | 35 | 20 | 23 | 12 | 90 | 30 | 42 | 35 | 28 | 135 | 36 | 26 | 27 | 48 | 137 |
| • | Other | 82 | 77 | 77 | 80 | 316 | 83 | 82 | 83 | 87 | 335 | 88 | 92 | 98 | 92 | 370 |
| 6 | Total railway operating expenses (note 1) | 2,047 | 1,966 | 1,975 | 2,000 | 7,988 | 2,022 | 2,023 | 2,025 | 1,979 | 8,049 | 1,961 | 1,899 | 1,891 | 1,876 | 7,627 |
| 6 | Income from railway operations | 691 | 836 | 849 | 881 | 3,257 | 667 | 1,019 | 998 | 891 | 3,575 | 606 | 814 | 822 | 642 | 2,884 |
| • | Other income (expense) (note 2) | 6 | (99) | (101) | (98) | (292) | (113) | (121) | (106) | (101) | (441) | (111) | (115) | (98) | (118) | (442) |
| • | Income before income taxes | 697 | 737 | 748 | 783 | 2,965 | 554 | 898 | 892 | 790 | 3,134 | 495 | 699 | 724 | 524 | 2,442 |
| • | Income taxes — current | 173 | 203 | 194 | 223 | 793 | 194 | 311 | 329 | 6 | 840 | 173 | 243 | 251 | (101) | 566 |
| • | Income taxes — deferred | 74 | 69 | 72 | 47 | 262 | (8) | 25 | 4 | 273 | 294 | 12 | 23 | 21 | 264 | 320 |
| 6 | Total income taxes | 247 | 272 | 266 | 270 | 1,055 | 186 | 336 | 333 | 279 | 1,134 | 185 | 266 | 272 | 163 | 886 |
| 7 | Net income | \$ 450 | \$ 465 | \$ 482 | \$ 513 | \$ 1,910 | \$ 368 | \$ 562 | \$ 559 | \$ 511 | \$ 2,000 | \$ 310 | \$ 433 | \$ 452 | \$ 361 | \$ 1,556 |
| 7 | Earnings per share — diluted (dollars) (notes 1 & 2) | \$ 1.41 | \$ 1.46 | \$ 1.53 | \$ 1.64 | \$ 6.04 | \$ 1.17 | \$ 1.79 | \$ 1.79 | \$ 1.64 | \$ 6.39 | \$ 1.00 | \$ 1.41 | \$ 1.49 | \$ 1.20 | \$ 5.10 |
| 7 | Railway operating ratio | 74.8 | 70.2 | 69.9 | 69.4 | 71.0 | 75.2 | 66.5 | 67.0 | 69.0 | 69.2 | 76.4 | 70.0 | 69.7 | 74.5 | 72.6 |
| 7 | Property additions: | | | | | | | | | | | | | | | |
| • | Equipment | \$ 88 | \$ 140 | \$ 200 | \$ 122 | \$ 550 | \$ 110 | \$ 96 | \$ 214 | \$ 292 | \$ 712 | \$ 92 | \$ 151 | \$ 265 | \$ 150 | \$ 658 |
| • | Road | 291 | 365 | 386 | 379 | 1,421 | 271 | 332 | 356 | 447 | 1,406 | 300 | 343 | 626 | 458 | 1,727 |
| 7 | Total property additions | \$ 379 | \$ 505 | \$ 586 | \$ 501 | \$ 1,971 | \$ 381 | \$ 428 | \$ 570 | \$ 739 | \$ 2,118 | \$ 392 | \$ 494 | \$ 891 | \$ 608 | \$ 2,385 |
| • | Cash, cash equivalents and short-term investments | \$ 687 | \$ 587 | \$ 1,004 | \$ 1,561 | \$ 1,561 | \$ 1,532 | \$ 1,667 | \$ 1,432 | \$ 973 | \$ 973 | \$ 524 | \$ 889 | \$ 433 | \$ 1,101 | \$ 1,101 |
| • | Total debt, excluding notes payable to Conrail (note 3) | \$ 8,446 | \$ 8,439 | \$ 8,904 | \$ 9,404 | \$ 9,404 | \$ 9,311 | \$ 9,205 | \$ 8,880 | \$ 8,985 | \$ 8,985 | \$ 8,890 | \$ 9,390 | \$ 9,496 | \$ 10,093 | \$ 10,093 |
| • | Total debt-to-total capitalization (percent) (note 3) | 45.5 | 45.3 | 46.4 | 45.4 | 45.4 | 44.3 | 43.3 | 41.7 | 42.0 | 42.0 | 42.2 | 43.7 | 43.9 | 45.3 | 45.3 |
| • | Weighted average shares outstanding — diluted (in millions) (note 4) | 318.1 | 317.8 | 313.9 | 312.3 | 315.5 | 312.6 | 312.8 | 312.6 | 312.0 | 312.5 | 309.6 | 305.5 | 302.5 | 300.4 | 304.4 |

Note 1 Third and fourth quarter 2015 results include costs associated with the restructuring of our Triple Crown Services subsidiary and the closure of our Roanoke, Virginia, office, in the amount of \$37 million and \$49 million, respectively. These costs reduced net income by \$23 million, or \$0.08 per diluted share in the third quarter and \$31 million, or \$0.10 per diluted share in the fourth quarter. For 2015, results include \$93 million of such costs, which reduced net income by \$58 million, or \$0.19 per diluted share.

Note 2 In first quarter 2013, we recognized a \$97 million gain on a land sale, which increased net income by \$60 million, or \$0.19 per share.

Note 3 In April 2015, the FASB issued ASU No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." We early adopted the provisions of this ASU during the second quarter of 2015 and applied it retrospectively, reflecting the reclassification of debt issuance costs of \$47 million in the fourth quarter of 2015 and approximately \$40 million for all other periods presented from "Other assets" to "Long-term debt."

Note 4 We have remaining authorization from our Board of Directors to repurchase up to 23.9 million shares of our common stock through December 31, 2017. The timing and volume of purchases is guided by our assessment of market conditions and other pertinent factors. Any near-term share repurchases are expected to be made with internally generated cash, cash on hand, or proceeds from borrowings. Since the beginning of 2006, we have repurchased and retired 151.1 million shares at a total cost of \$9.5 billion.

Financial, Traffic and Operating Statistics

| Traffic and Operating Statistics | | | | | | 2013 | | | | | 2014 | | | | | 2015 | | | | |
|----------------------------------|--|---------------|----------------|---------------|-----------------|----------|---------------|----------------|---------------|-----------------|----------|---------------|----------------|---------------|-----------------|----------|--|--|--|--|
| Page | Item | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year | | | | |
| | <ul style="list-style-type: none"> No corresponding charts for this data. | | | | | | | | | | | | | | | | | | | |
| 8 | Railway units (in thousands): | | | | | | | | | | | | | | | | | | | |
| 8 | Coal | 343.2 | 341.4 | 339.9 | 322.2 | 1,346.7 | 299.7 | 350.5 | 332.1 | 302.1 | 1,284.4 | 277.4 | 275.7 | 278.8 | 247.8 | 1,079.7 | | | | |
| 8 | General merchandise | 584.0 | 615.8 | 604.3 | 617.8 | 2,421.9 | 577.8 | 656.5 | 664.2 | 646.8 | 2,545.3 | 598.0 | 661.5 | 658.0 | 620.7 | 2,538.2 | | | | |
| 8 | Intermodal | 856.4 | 881.0 | 912.9 | 922.0 | 3,572.3 | 885.1 | 976.1 | 1,004.7 | 979.3 | 3,845.2 | 926.7 | 999.9 | 999.5 | 934.9 | 3,861.0 | | | | |
| 8 | Total railway units | 1,783.6 | 1,838.2 | 1,857.1 | 1,862.0 | 7,340.9 | 1,762.6 | 1,983.1 | 2,001.0 | 1,928.2 | 7,674.9 | 1,802.1 | 1,937.1 | 1,936.3 | 1,803.4 | 7,478.9 | | | | |
| | <ul style="list-style-type: none"> Revenue ton miles (RTMs) (in billions): | | | | | | | | | | | | | | | | | | | |
| | Coal | 12.0 | 11.8 | 12.0 | 11.7 | 47.5 | 10.7 | 13.3 | 12.3 | 10.6 | 46.9 | 9.8 | 9.7 | 10.5 | 9.5 | 39.5 | | | | |
| | General merchandise | 26.4 | 27.3 | 26.6 | 27.4 | 107.7 | 27.0 | 29.7 | 30.2 | 31.1 | 118.0 | 29.3 | 31.4 | 30.8 | 28.8 | 120.3 | | | | |
| | Intermodal | 9.3 | 9.5 | 9.7 | 9.9 | 38.4 | 9.4 | 10.2 | 10.3 | 10.2 | 40.1 | 9.7 | 10.4 | 10.0 | 9.8 | 39.9 | | | | |
| | Total | 47.7 | 48.6 | 48.3 | 49.0 | 193.6 | 47.1 | 53.2 | 52.8 | 51.9 | 205.0 | 48.8 | 51.5 | 51.3 | 48.1 | 199.7 | | | | |
| | <ul style="list-style-type: none"> Revenue (dollars) per thousand RTMs: | | | | | | | | | | | | | | | | | | | |
| | Coal | \$ 53.15 | \$ 52.67 | \$ 53.32 | \$ 55.12 | \$ 53.55 | \$ 50.71 | \$ 50.48 | \$ 50.98 | \$ 51.05 | \$ 50.79 | \$ 46.43 | \$ 46.41 | \$ 46.06 | \$ 45.76 | \$ 46.16 | | | | |
| | General merchandise | \$ 57.86 | \$ 58.27 | \$ 59.41 | \$ 59.07 | \$ 58.65 | \$ 57.36 | \$ 57.88 | \$ 57.44 | \$ 53.85 | \$ 56.58 | \$ 51.80 | \$ 51.89 | \$ 52.32 | \$ 52.70 | \$ 52.17 | | | | |
| | Intermodal | \$ 61.77 | \$ 62.02 | \$ 62.07 | \$ 62.76 | \$ 62.16 | \$ 63.53 | \$ 63.66 | \$ 64.61 | \$ 63.92 | \$ 63.94 | \$ 61.16 | \$ 60.91 | \$ 62.00 | \$ 57.50 | \$ 60.41 | | | | |
| | Total | \$ 57.44 | \$ 57.63 | \$ 58.43 | \$ 58.87 | \$ 58.10 | \$ 57.09 | \$ 57.14 | \$ 57.34 | \$ 55.25 | \$ 56.70 | \$ 52.58 | \$ 52.67 | \$ 52.93 | \$ 52.31 | \$ 52.63 | | | | |
| | <ul style="list-style-type: none"> Gross ton miles (GTM) (in billions) | | | | | | | | | | | | | | | | | | | |
| | Coal | 90.3 | 92.6 | 91.7 | 93.5 | 368.1 | 89.2 | 100.3 | 100.0 | 99.0 | 388.5 | 92.9 | 99.1 | 98.5 | 93.9 | 384.4 | | | | |
| | Revenue ton miles (RTMs) (in billions) | 47.7 | 48.6 | 48.3 | 49.0 | 193.6 | 47.1 | 53.2 | 52.8 | 51.9 | 205.0 | 48.8 | 51.5 | 51.3 | 48.1 | 199.7 | | | | |
| | Railroad employees (average) | 30,095 | 29,870 | 29,597 | 29,227 | 29,698 | 28,811 | 28,811 | 29,176 | 29,454 | 29,063 | 29,936 | 30,045 | 30,257 | 29,988 | 30,057 | | | | |
| | <ul style="list-style-type: none"> Total operating expenses (dollars) per thousand GTMs | | | | | | | | | | | | | | | | | | | |
| | Coal | \$ 22.68 | \$ 21.23 | \$ 21.53 | \$ 21.41 | \$ 21.70 | \$ 22.66 | \$ 20.17 | \$ 20.26 | \$ 19.98 | \$ 20.72 | \$ 21.11 | \$ 19.17 | \$ 19.18 | \$ 20.00 | \$ 19.84 | | | | |
| | Compensation and benefits (dollars) per thousand GTMs | \$ 8.64 | \$ 7.84 | \$ 8.01 | \$ 8.14 | \$ 8.16 | \$ 8.29 | \$ 7.13 | \$ 7.28 | \$ 7.21 | \$ 7.46 | \$ 8.43 | \$ 7.31 | \$ 7.12 | \$ 7.48 | \$ 7.57 | | | | |
| | Total operating expenses (dollars) per thousand RTMs | \$ 42.94 | \$ 40.43 | \$ 40.87 | \$ 40.87 | \$ 41.27 | \$ 42.93 | \$ 38.00 | \$ 38.41 | \$ 38.09 | \$ 39.26 | \$ 40.16 | \$ 36.87 | \$ 36.89 | \$ 38.97 | \$ 38.19 | | | | |
| | <ul style="list-style-type: none"> Compensation and benefits (dollars) per thousand RTMs | | | | | | | | | | | | | | | | | | | |
| | Coal | \$ 16.36 | \$ 14.93 | \$ 15.21 | \$ 15.55 | \$ 15.51 | \$ 15.71 | \$ 13.43 | \$ 13.81 | \$ 13.74 | \$ 14.13 | \$ 16.04 | \$ 14.06 | \$ 13.70 | \$ 14.58 | \$ 14.58 | | | | |
| 14 | Total operating revenues (\$ in thousands) per employee | \$ 91.0 | \$ 93.8 | \$ 95.4 | \$ 98.6 | \$ 378.6 | \$ 93.3 | \$ 105.6 | \$ 103.6 | \$ 97.4 | \$ 400.0 | \$ 85.7 | \$ 90.3 | \$ 89.7 | \$ 84.0 | \$ 349.7 | | | | |
| 15 | Total operating expenses (\$ in thousands) per employee | \$ 68.0 | \$ 65.8 | \$ 66.7 | \$ 68.4 | \$ 269.0 | \$ 70.2 | \$ 70.2 | \$ 69.4 | \$ 67.2 | \$ 277.0 | \$ 65.5 | \$ 63.2 | \$ 62.5 | \$ 62.6 | \$ 253.8 | | | | |
| | <ul style="list-style-type: none"> RTMs (thousands) per employee | | | | | | | | | | | | | | | | | | | |
| | Coal | 2,999 | 3,101 | 3,100 | 3,197 | 12,393 | 3,097 | 3,481 | 3,425 | 3,364 | 13,368 | 3,103 | 3,298 | 3,258 | 3,128 | 12,788 | | | | |
| 14 | RTMs (thousands) per employee | 1,584 | 1,628 | 1,633 | 1,674 | 6,517 | 1,635 | 1,848 | 1,807 | 1,764 | 7,054 | 1,631 | 1,714 | 1,694 | 1,605 | 6,645 | | | | |
| 14 | Units per employee | 59.3 | 61.5 | 62.7 | 63.7 | 247.2 | 61.2 | 68.8 | 68.6 | 65.5 | 264.1 | 60.2 | 64.5 | 64.0 | 60.1 | 248.8 | | | | |
| 14 | RTMs (thousands) per mile of road operated | 2,381 | 2,428 | 2,420 | 2,452 | 9,680 | 2,369 | 2,681 | 2,655 | 2,629 | 10,333 | 2,476 | 2,613 | 2,600 | 2,411 | 10,098 | | | | |
| 15 | Total operating expenses (dollars) per unit | \$ 1,148 | \$ 1,070 | \$ 1,063 | \$ 1,074 | \$ 1,088 | \$ 1,147 | \$ 1,020 | \$ 1,012 | \$ 1,026 | \$ 1,049 | \$ 1,088 | \$ 980 | \$ 977 | \$ 1,040 | \$ 1,020 | | | | |
| | <ul style="list-style-type: none"> Compensation and benefits (dollars) per unit | | | | | | | | | | | | | | | | | | | |
| | Coal | \$ 437 | \$ 395 | \$ 396 | \$ 409 | \$ 409 | \$ 420 | \$ 361 | \$ 364 | \$ 370 | \$ 377 | \$ 434 | \$ 374 | \$ 363 | \$ 389 | \$ 389 | | | | |
| | <ul style="list-style-type: none"> RTMs (in thousands) per unit | | | | | | | | | | | | | | | | | | | |
| | Coal | 26.7 | 26.5 | 26.0 | 26.3 | 26.4 | 26.7 | 26.8 | 26.3 | 26.9 | 26.7 | 27.1 | 26.6 | 26.5 | 26.7 | 26.7 | | | | |
| | <ul style="list-style-type: none"> Locomotive diesel fuel consumed (in thousands of gallons) | | | | | | | | | | | | | | | | | | | |
| | Coal | 122,673 | 117,383 | 114,107 | 122,141 | 476,304 | 126,082 | 122,619 | 119,100 | 126,200 | 494,001 | 125,590 | 120,955 | 118,123 | 122,047 | 486,715 | | | | |
| | <ul style="list-style-type: none"> Average price (dollars) per gallon of locomotive diesel fuel | | | | | | | | | | | | | | | | | | | |
| | Coal | \$ 3.191 | \$ 3.027 | \$ 3.133 | \$ 3.020 | \$ 3.093 | \$ 3.105 | \$ 3.034 | \$ 2.959 | \$ 2.521 | \$ 2.903 | \$ 1.831 | \$ 1.935 | \$ 1.714 | \$ 1.490 | \$ 1.743 | | | | |
| | <ul style="list-style-type: none"> RTMs per gallon of fuel consumed | | | | | | | | | | | | | | | | | | | |
| | Coal | 389 | 414 | 424 | 401 | 406 | 374 | 434 | 443 | 412 | 415 | 389 | 426 | 434 | 394 | 410 | | | | |
| 15 | RTMs (in thousands) per train hour | 95.8 | 96.6 | 99.1 | 101.1 | 98.1 | 96.5 | 99.9 | 98.8 | 98.2 | 98.4 | 96.2 | 98.5 | 97.2 | 100.1 | 98.0 | | | | |
| 15 | RTMs (in thousands) per train hour | 50.6 | 50.7 | 52.2 | 52.9 | 51.6 | 50.9 | 53.0 | 52.1 | 51.5 | 51.9 | 50.6 | 51.2 | 50.5 | 51.3 | 50.9 | | | | |
| | <ul style="list-style-type: none"> Percent of loaded-to-total car miles | | | | | | | | | | | | | | | | | | | |
| | Coal | 58.7 | 58.4 | 58.7 | 58.8 | 58.7 | 59.1 | 58.8 | 58.9 | 59.3 | 59.0 | 58.9 | 58.5 | 58.0 | 57.6 | 58.2 | | | | |
| | <ul style="list-style-type: none"> Total new crossties installed (in thousands) | | | | | | | | | | | | | | | | | | | |
| | Coal | 610 | 763 | 741 | 355 | 2,469 | 676 | 697 | 667 | 631 | 2,671 | 575 | 606 | 603 | 629 | 2,413 | | | | |
| | <ul style="list-style-type: none"> Total track miles of rail laid (miles) | | | | | | | | | | | | | | | | | | | |
| | Coal | 112 | 181 | 166 | 90 | 549 | 135 | 156 | 121 | 95 | 507 | 102 | 122 | 139 | 160 | 523 | | | | |



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